

**MORGAN CITY, UTAH  
BASIC FINANCIAL STATEMENTS AND  
REQUIRED SUPPLEMENTARY INFORMATION  
WITH INDEPENDENT AUDITOR'S REPORTS  
YEAR ENDED JUNE 30, 2006**

**MORGAN CITY, UTAH  
YEAR ENDED JUNE 30, 2006  
TABLE OF CONTENTS**

**FINANCIAL SECTION:**

	<b><u>Page</u></b>
Independent Auditor's Report	1
Management Discussion and Analysis	2-7
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Assets	8
Statement of Activities	9
Fund Financial Statements:	
Balance Sheet Governmental Funds	10
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets	11
Statement of Revenues, Expenditures, and Changes in Fund Balances Governmental Funds	12
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances Governmental Funds to the Statement of Activities	13
Statement of Net Assets Proprietary Funds	14
Statement of Revenues, Expenditures, and Changes in Fund Net Assets Proprietary Funds	15
Statement of Cash Flows Proprietary Funds	16
Notes to the Financial Statements	17-39
Required Supplementary Information:	
Budgetary Comparison Schedules	
General Fund	40-41
Special Revenue Fund	42
Supplementary Information:	
Combining Financial Statements and Schedules:	
Combining Statement of Net Assets	43
Combining Statement of Revenues, Expenditures, and Changes in Net Assets	44
Impact Fee Reporting	45-46
Auditors' Reports:	
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	47-48
Independent Auditor's Report on State of Utah Legal Compliance	49-50
Summary of Findings	51



Royce J. Richards, J. D., CPA  
Lynn J. Wood, CPA

### INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and City Council  
Morgan City

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Morgan City, Utah, as of and for the year ended June 30, 2006, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Morgan City's, management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Morgan City, as of June 30, 2006, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 2, 2006, on our consideration of Morgan City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis and budgetary comparison information on pages 2 through 7 and pages 40 through 42, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Wood Richards & Associates

November 2, 2006

CERTIFIED PUBLIC ACCOUNTANTS

2490 Wall Avenue Ogden, Utah 84401 Phone (801) 621-0440 Fax (801) 399-9264

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

**MORGAN CITY**  
**MANAGEMENT'S**  
**DISCUSSION AND ANALYSIS**  
**JUNE 30, 2006**

This document is a narrative overview and analysis of the financial activities of Morgan City for the fiscal year ending June 30, 2006. Morgan City management encourages readers to consider the information presented here in conjunction with the financial statements, which follow this section. To help the reader with navigation of this report the city's activities are classified in the following manner: government activities include basic services such as public safety, public works, parks and recreation, cemetery and general government administration, while business-type activities include water, sewer, electric, and sanitation. These government-wide statements are designed to be more corporate-like in that all activities are consolidated into a total for the City.

**Basic Financial Statements**

- The Statement of Net Assets focuses on resources available for future operations. In simple terms, this statement presents a snapshot view of the assets the community owns the liabilities it owes and the net difference. The net difference is further separated into amounts restricted for specific purposes and unrestricted amounts. Government activities reflect capital assets including infrastructure and long-term liabilities. Business-type activities have long reported capital assets and long-term liabilities.
- The Statement of Activities focuses gross and net costs of city programs and the extent to which such programs rely upon general tax and revenues. This statement summarizes the user's analysis to determine the extent to which programs are self-supporting and/or subsidized by general revenues.
- Fund financial statements focus separately on major government funds and proprietary funds. Governmental fund statements follow the more traditional presentation of financial statements. The City's major government funds are presented in their own column and the remaining funds are combined into a column titled "Other Government Funds." A budgetary comparison is presented for the general fund, which is the only fund for which a budget is legally adopted. Statements for the City's proprietary funds follow the governmental funds and include net assets, revenue, expenses and changes in net assets, and cash flow.
- The notes to the financial statements provide additional disclosures required by governmental accounting standards and provide information to assist the reader in understanding the City's financial condition.

Readers desiring additional information on nonmajor funds can find it in the Combining Statements of Nonmajor Fund's section of this report. Completing the financial section of the report are schedules on capital assets and other financial schedules.

**MORGAN CITY**  
**MANAGEMENT'S**  
**DISCUSSION AND ANALYSIS**  
**JUNE 30, 2006**

The Management's Discussion and Analysis is intended to explain the significant changes in financial position and differences in operation between the current and prior years.

**City as a Whole**

**Government-wide Financial Statements**

A condensed version of the Statement of Net Assets at June 30, 2006 and 2005 follows:

Net Assets at Year-end

	Governmental Activities		Business-Type Activities		Total	
	2006	2005	2006	2005	2006	2005
Cash & investments	\$1,323,324	\$1,092,048	\$635,367	\$683,765	\$1,958,691	\$1,775,813
Other assets	1,587,506	1,643,944	472,870	451,118	2,060,346	2,095,062
Capital assets	1,480,636	1,436,480	3,860,592	3,595,492	5,341,228	5,031,972
<b>Total assets</b>	<b>4,391,466</b>	<b>4,172,472</b>	<b>4,968,829</b>	<b>4,730,375</b>	<b>9,360,265</b>	<b>8,902,847</b>
Other liabilities	76,236	45,685	132,369	125,499	208,605	171,184
Long term outstanding	1,690,087	1,956,462	1,248,434	1,289,208	2,938,521	3,245,670
<b>Total liabilities</b>	<b>1,766,323</b>	<b>2,002,147</b>	<b>1,380,803</b>	<b>1,414,707</b>	<b>3,147,126</b>	<b>3,416,854</b>
<b>Net assets:</b>						
Invested in capital assets,						
Net of related debt	1,100,636	990,480	2,702,272	2,072,583	3,802,908	3,063,063
Restricted	1,050,022	913,819	547,578	648,808	1,597,600	1,562,627
Unrestricted	474,485	266,026	338,146	594,277	812,631	860,303
<b>Total net assets</b>	<b>\$2,625,143</b>	<b>\$2,170,325</b>	<b>\$3,587,996</b>	<b>\$3,315,668</b>	<b>\$6,213,139</b>	<b>\$5,485,993</b>

During the year ended June 30, 2006 there were three significant events that changed the components of net assets. An explanation of these events follows:

**Business-type Activities.** The City received an USDA Rural Development loan of \$ 1,214,300 and an USDA Rural Development grant of \$ 500,000 in 2004 to be used for improvements to their culinary water system. During the year 2006, the City spent the balance of \$ 237,701 on improvements to their culinary water system.

**MORGAN CITY**  
**MANAGEMENT'S**  
**DISCUSSION AND ANALYSIS**  
**JUNE 30, 2006**

Government type Activities. The City received a block grant of \$ 114,000 to be used for job creation projects. The City also started a bridge project that will cost approximately \$1,400,000 which the City will be responsible for over \$ 500,000.

**A condensed version of the Statement of Activities follows:**

Governmental and Proprietary Activities  
For the years ended June 30, 2006 and 2005

	Governmental Activities		Business-Type Activities		Total	
	2006	2005	2006	2005	2006	2005
<b>Revenues:</b>						
Program revenues						
Charges for services	\$ 592,633	\$ 498,181	\$2,741,119	\$2,525,423	\$3,333,752	\$3,023,604
Grants and contributions	241,483	135,402			241,483	135,402
General revenues						
Taxes	739,804	599,828			739,804	599,828
Interest	116,660	112,548	17,004	7,706	133,664	120,254
Contributions from Dev	80,000		2,076	7,439	82,076	7,439
Miscellaneous	11,490	135,855			11,490	135,855
<b>Total revenues</b>	<b>1,782,070</b>	<b>1,481,814</b>	<b>2,760,199</b>	<b>2,540,568</b>	<b>4,542,269</b>	<b>4,022,382</b>
<b>Expenses</b>						
General Government	438,551	283,335			438,551	283,335
Public Safety	263,194	265,502			263,194	265,502
Public Works	450,936	543,061			450,936	543,061
Parks and Recreation	58,939	74,016			58,939	74,016
Cemetery	83,417	64,844			83,417	64,844
Shop	11,476	6,083			11,476	6,083
Interest	20,739				20,739	
Water			499,249	458,800	499,249	458,800
Sewer			318,599	288,170	318,599	288,170
Electric			1,436,642	1,379,019	1,436,642	1,379,019
Sanitation			233,381	219,947	233,381	219,947
<b>Total expenses</b>	<b>1,327,252</b>	<b>1,236,841</b>	<b>2,487,871</b>	<b>2,345,936</b>	<b>3,815,123</b>	<b>3,582,777</b>
<b>Change in net assets</b>	<b>454,818</b>	<b>244,973</b>	<b>272,328</b>	<b>194,632</b>	<b>727,146</b>	<b>439,605</b>
<b>Beginning net assets</b>	<b>2,170,325</b>	<b>1,925,352</b>	<b>3,315,668</b>	<b>3,121,036</b>	<b>5,485,993</b>	<b>5,046,388</b>
<b>Ending net assets</b>	<b>\$2,625,143</b>	<b>\$2,170,325</b>	<b>\$3,587,996</b>	<b>\$3,315,668</b>	<b>\$6,213,139</b>	<b>\$5,485,993</b>

**MORGAN CITY**  
**MANAGEMENT'S**  
**DISCUSSION AND ANALYSIS**  
**JUNE 30, 2006**

**Governmental activities:**

For the year ended June 30, 2006 the total revenues for the governmental activities were \$ 1,782,070. Program revenues totaled \$ 834,116. The major sources of program revenues are building permits, impact fees, and capital grants. General revenues for the year totaled \$ 947,954. The major sources of general revenues are taxes and interest earnings. Taxes comprise 43% of the City's general fund revenues. Sales tax revenue increased over \$ 50,000. Building permits increased by 34% or over \$ 50,000.

**Business-type activities:**

For the year ended June 30, 2006 the total revenues for the business-type activities were \$ 2,760,199. Program revenues total \$ 2,741,119. The majority of the revenue is from charges for services of the enterprise funds. The general revenues in the business-type activities consist of \$ 2,076 in contributions from developers and \$ 17,004 in interest income. The water and sewer funds have operating losses and the electric and sanitation funds have operating income. The water fund was the only fund to have a decrease in net assets. All user fee collections increased due to growth.

**Budgetary Highlights**

Over the course of the year the City Council revised the budget one time to make small modifications to accommodate unexpected expenditures. At the end of the year there were two individual departments with a budget shortfall due to year-end expenditures in excess of expectations. In total, the general fund's expenditures were \$ 202,795 less than was budgeted.

**Capital Assets and Debt Administration**

**Capital Assets**

At June 30, 2006 the City had \$ 5,431,342 invested in capital assets, including park and recreation facilities, buildings, roads, bridges, sanitation, and electric and water and sewer lines. This amount represents a net increase (additions, deductions, and depreciation) of \$ 319,683, or 6.3% over last year.



**MORGAN CITY**  
**MANAGEMENT'S**  
**DISCUSSION AND ANALYSIS**  
**JUNE 30, 2006**

**Capital Assets at Year-end**

	Governmental Activities		Business-Type Activities		Total	
	2006	2005	2006	2005	2006	2005
Land	\$ 168,343	\$ 168,343	\$ 43,669	\$ 43,669	\$ 212,012	\$ 212,012
Water Stock			90,114	79,687	90,114	79,687
Buildings	580,248	500,248	53,187	53,187	633,435	553,435
Improvements	133,796	133,796			133,796	133,796
Equipment	365,365	365,365	555,638	434,001	921,003	799,366
Infrastructure	1,884,016	1,804,164			1,884,016	1,804,164
Utility Systems			5,467,534	5,144,774	5,467,534	5,144,774
Subtotal	3,131,768	2,971,916	6,210,142	5,755,318	9,341,910	8,727,234
Accum. depreciation	1,651,132	1,535,436	2,259,436	2,080,139	3,910,568	3,615,575
Capital assets, net	<u>\$1,480,636</u>	<u>\$1,436,480</u>	<u>\$3,950,706</u>	<u>\$3,675,179</u>	<u>\$5,431,342</u>	<u>\$5,111,659</u>

The most significant addition to capital assets was \$ 322,760 in the utility systems and the purchase of machinery and equipment for \$ 121,637.

**Debt Outstanding**

At year-end, the City had \$ 2,899,434 in bonds and notes outstanding versus \$3,215,208 last year, a decrease of \$ 315,774.

**Debt Outstanding at Year-end**

	Governmental Activities		Business-Type Activities		Total	
	2006	2005	2006	2005	2006	2005
Series 2002 Bonds	\$ 380,000	\$ 446,000			\$ 380,000	\$ 446,000
Series 2003 Bonds			1,180,434	1,193,208	1,180,434	1,193,208
Special Assessment Bonds	1,271,000	1,480,000			1,271,000	1,480,000
Water Revenue Bonds			36,000	50,000	36,000	50,000
Sewer Revenue Bonds			32,000	46,000	32,000	46,000
Total debt outstanding	<u>\$1,651,000</u>	<u>\$1,926,000</u>	<u>\$1,248,434</u>	<u>\$1,289,208</u>	<u>\$2,899,434</u>	<u>\$3,215,208</u>

More detailed information on the City's long-term liabilities is presented in the notes to the financial statements.

**MORGAN CITY**  
**MANAGEMENT'S**  
**DISCUSSION AND ANALYSIS**  
**JUNE 30, 2006**

**Economic Factors and Next Year's Budgets and Rates**

- Property taxes and sales taxes make up 43% of general fund revenues.
- Morgan City has established new electric billing rates to be able to provide these services for a substantial increase in population and costs.

**Financial Contact**

The City's financial statements are designed to present users (citizens, taxpayers, customers, investors, and creditors) with a general overview of the City's finances and to demonstrate the City's accountability. If you have questions about the report or need additional financial information, please contact the City's Recorder at 48 W Young, Morgan, Utah 84050.

# **BASIC FINANCIAL STATEMENTS**

**MORGAN CITY  
STATEMENT OF NET ASSETS  
JUNE 30, 2006**

	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
<b>Current Assets:</b>			
Cash	\$ 1,323,324	\$ 635,367	\$ 1,958,691
Accounts Receivable (Net of Allowance for Uncollectibles)	1,477,166	216,169	1,693,335
Accounts Receivable - Intergovernmental	110,340	-	110,340
Inventory	-	144,357	144,357
<b>Total Current Assets</b>	<u>2,910,830</u>	<u>995,893</u>	<u>3,906,723</u>
<b>Noncurrent Assets:</b>			
<b>Capital Assets:</b>			
Water Shares	-	90,114	90,114
Land	168,343	43,669	212,012
Land Improvements	133,796	-	133,796
Buildings	580,248	53,187	633,435
Machinery and Equipment	365,365	555,638	921,003
Utility Systems	-	5,467,534	5,467,534
Infrastructure	1,884,016	-	1,884,016
Less Accumulated Depreciation	(1,651,132)	(2,259,436)	(3,910,568)
<b>Total Capital Assets, Net</b>	<u>1,480,636</u>	<u>3,950,706</u>	<u>5,431,342</u>
<b>Other Assets:</b>			
Unamortized Bond Issue Costs	-	22,200	22,200
<b>Total Assets</b>	<u>4,391,466</u>	<u>4,968,799</u>	<u>9,360,265</u>
<b>LIABILITIES</b>			
<b>Current Liabilities:</b>			
Accounts Payable	47,480	118,954	166,434
Other Accrued Liabilities	28,756	13,415	42,171
<b>Total Current Liabilities</b>	<u>76,236</u>	<u>132,369</u>	<u>208,605</u>
<b>Noncurrent Liabilities</b>			
Due Within One Year	187,000	45,328	232,328
Due in More Than One Year	1,503,087	1,203,106	2,706,193
<b>Total Noncurrent Liabilities</b>	<u>1,690,087</u>	<u>1,248,434</u>	<u>2,938,521</u>
<b>Total Liabilities</b>	<u>1,766,323</u>	<u>1,380,803</u>	<u>3,147,126</u>
<b>NET ASSETS</b>			
Invested in Capital Assets, Net of Related Debt	1,100,636	2,702,272	3,802,908
<b>Restricted For:</b>			
Class "C" Roads	228,830	-	228,830
Road Impact Fees	231,445	-	231,445
Park Impact Fees	173,224	-	173,224
Special Improvement District	131,841	-	131,841
Redevelopment	38,344	-	38,344
Perpetual Care	246,338	-	246,338
Water Impact Fees	-	315,804	315,804
Sewer Impact Fees	-	137,609	137,609
Electric Impact Fees	-	94,165	94,165
Unrestricted	474,485	338,146	812,631
<b>Total Net Assets</b>	<u>\$ 2,625,143</u>	<u>\$ 3,587,996</u>	<u>\$ 6,213,139</u>

The accompanying notes are an integral part of these financial statements.

**MORGAN CITY  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2006**

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Governmental Activities</b>				
General Government	\$ 438,551	\$ 216,946	\$ 3,327	\$ 114,000
Public Safety	263,194	80,472	-	-
Public Works	450,936	186,067	124,156	-
Parks and Recreation	58,939	86,993	-	-
Cemetery	83,417	22,155	-	-
Shop	11,476	-	-	-
Interest Expense	20,739	-	-	-
<b>Total Governmental Activities</b>	<b>1,327,252</b>	<b>592,633</b>	<b>127,483</b>	<b>114,000</b>
<b>Business-type Activities</b>				
Water	499,249	474,496	-	-
Sewer	318,599	390,234	-	-
Electric	1,436,642	1,631,332	-	-
Sanitation	233,381	245,057	-	-
<b>Total Business-type Activities</b>	<b>2,487,871</b>	<b>2,741,119</b>	<b>-</b>	<b>-</b>
<b>Total Government</b>	<b>\$ 3,815,123</b>	<b>\$ 3,333,752</b>	<b>\$ 127,483</b>	<b>\$ 114,000</b>

**General Revenues:**

**Taxes**

Property

Sales and Use

Fee in Lieu

Telecommunication

Interest and Investment Earnings

Contributions of Capital Assets

Miscellaneous

**Total General Revenues and Transfers**

**Change in Net Assets**

**Net Assets at Beginning of Year**

**Net Assets at End of Year**

The accompanying notes are an integral part of these financial statements.

**Changes in Net Assets**

<u>Governmental Activities</u>	<u>Business- type Activities</u>	<u>Total</u>
\$ (104,278)	\$ -	\$ (104,278)
(182,722)	-	(182,722)
(140,713)	-	(140,713)
28,054	-	28,054
(61,262)	-	(61,262)
(11,476)	-	(11,476)
(20,739)	-	(20,739)
<u>(493,136)</u>	<u>-</u>	<u>(493,136)</u>
-	(24,753)	(24,753)
-	71,635	71,635
-	194,690	194,690
-	11,676	11,676
<u>-</u>	<u>253,248</u>	<u>253,248</u>
<u>(493,136)</u>	<u>253,248</u>	<u>(239,888)</u>
226,604	-	226,604
407,486	-	407,486
42,340	-	42,340
63,374	-	63,374
116,660	17,004	133,664
80,000	2,076	82,076
11,490	-	11,490
<u>947,954</u>	<u>19,080</u>	<u>967,034</u>
454,818	272,328	727,146
<u>2,170,325</u>	<u>3,315,668</u>	<u>5,485,993</u>
<u>\$ 2,625,143</u>	<u>\$ 3,587,996</u>	<u>\$ 6,213,139</u>

**MORGAN CITY  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
AS OF JUNE 30, 2006**

	<u>General</u>	<u>Special Revenue</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>				
Cash	\$ 928,854	\$ 131,841	\$ 262,629	\$ 1,323,324
Accounts Receivable	17,432	1,431,047	28,687	1,477,166
Accounts Receivable - Intergovernmental	110,340	-	-	110,340
<b>TOTAL ASSETS</b>	<u>\$ 1,056,626</u>	<u>\$ 1,562,888</u>	<u>\$ 291,316</u>	<u>\$ 2,910,830</u>
<b>LIABILITIES</b>				
Accounts Payable	\$ 47,480	\$ -	\$ -	\$ 47,480
Deferred Revenue	-	1,431,047	-	1,431,047
Other Accrued Liabilities	28,756	-	-	28,756
<b>TOTAL LIABILITIES</b>	<u>76,236</u>	<u>1,431,047</u>	<u>-</u>	<u>1,507,283</u>
<b>FUND BALANCES</b>				
Reserved for:				
Class C Roads	228,830	-	-	228,830
Road Impact Fees	231,445	-	-	231,445
Park Impact Fees	173,224	-	-	173,224
Special Improvement District	-	131,841	-	131,841
Redevelopment Agency	-	-	38,344	38,344
Perpetual Care	-	-	246,338	246,338
Unreserved	346,891	-	6,634	353,525
<b>TOTAL FUND BALANCES</b>	<u>980,390</u>	<u>131,841</u>	<u>291,316</u>	<u>1,403,547</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>\$ 1,056,626</u>	<u>\$ 1,562,888</u>	<u>\$ 291,316</u>	<u>\$ 2,910,830</u>

The accompanying notes are an integral part of these financial statements.

**MORGAN CITY  
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF NET ASSETS  
JUNE 30, 2006**

**Amounts reported for governmental activities in the  
statement of net assets are different because:**

<b>Total fund balances--total governmental funds</b>	<b>\$ 1,403,547</b>
 <b>Capital assets used in governmental activities are not financial resources and, therefore are not reported in the fund fund financial statements.</b>	 <b>1,480,636</b>
 <b>Deferred revenues reported in Governmental Funds Balance Sheet includes a special assessment receivable. The balance was deferred because funds were not available to pay for current period expenditures.</b>	 <b>1,431,047</b>
 <b>Long-term liabilities are not due and payable in the current period and therefore are not reported in the fund financial statements. Those liabilities consist of:</b>	
<b>Series 2002 Bonds</b>	<b>(380,000)</b>
<b>Special Assessment Bonds</b>	<b>(1,271,000)</b>
<b>Compensated Absences</b>	<b><u>(39,087)</u></b>
 <b>Net assets of governmental activities</b>	 <b><u>\$ 2,625,143</u></b>

**The accompanying notes are an integral part of these financial statements.**



**MORGAN CITY**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2006**

	General	Special Revenue	Other Governmental Funds	Total Governmental Funds
<b>REVENUES</b>				
Taxes	\$ 691,696	\$ -	\$ 48,108	\$ 739,804
Licenses and Permits	209,776	-	-	209,776
Intergovernmental	241,483	-	-	241,483
Charges for services	40,524	104,407	9,793	154,724
Fines	53,492	-	-	53,492
Other Revenues	227,168	137,955	11,421	376,544
<b>Total Revenues</b>	<b>1,464,139</b>	<b>242,362</b>	<b>69,322</b>	<b>1,775,823</b>
<b>EXPENDITURES</b>				
Current Operating:				
General Government	371,528	11,119	41,905	424,552
Public Safety	261,194	-	-	261,194
Public Works	249,569	-	11,643	261,212
Parks and Recreation	53,749	-	-	53,749
Cemetery	82,921	-	-	82,921
Shop	11,476	-	-	11,476
Debt Service:				
Principal	66,000	209,000	-	275,000
Interest	20,739	87,088	-	107,827
Capital Outlay	79,852	-	-	79,852
<b>Total Expenditures</b>	<b>1,197,028</b>	<b>307,207</b>	<b>53,548</b>	<b>1,557,783</b>
Excess of Revenues Over (Under) Expenditures	267,111	(64,845)	15,774	218,040
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers-In	-	-	-	-
Transfers-Out	-	-	-	-
<b>Total Other Financing Sources (Uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net Change in Fund Balances</b>	<b>267,111</b>	<b>(64,845)</b>	<b>15,774</b>	<b>218,040</b>
<b>Fund Balances at Beginning of Year</b>	<b>713,279</b>	<b>196,686</b>	<b>275,542</b>	<b>1,185,507</b>
<b>Fund Balances at End of Year</b>	<b>\$ 980,390</b>	<b>\$ 131,841</b>	<b>\$ 291,316</b>	<b>\$ 1,403,547</b>

The accompanying notes are an integral part of these financial statements.

**MORGAN CITY**  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES**  
**IN FUND BALANCE OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2006**

Net change in fund balance, total governmental funds	\$	218,040
--	----	---------

Amounts reported for governmental activities  
in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. In the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation expense exceeded capital outlays in the current period.

Capital Outlays	79,852		
Depreciation Expense	<u>(115,696)</u>		(35,844)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the fund financial statements:

Contribution of Capital Assets	80,000
--------------------------------	--------

Special assessment revenues are recorded in the statement of activities when the assessment is set; they are not reported in the funds until collected or collectible within 60 days of year-end.	(73,753)
---	----------

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds.

Compensated absences accrued	(32,010)
------------------------------	----------

Repayment of debt principal and compensated absences is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. The debt principal repaid are as follows:

Series 2002 Bonds	66,000	
Special Assessment Bonds	209,000	
Compensated Absences	<u>23,385</u>	

Change in net assets of governmental activities	\$	<u><u>454,818</u></u>
---	----	-----------------------

The accompanying notes are an integral part of these financial statements.

**MORGAN CITY  
STATEMENT OF NET ASSETS  
PROPRIETARY FUNDS  
JUNE 30, 2006**

	<u>Water</u>	<u>Sewer</u>
<b>ASSETS</b>		
<b>Current Assets:</b>		
Cash	\$ 69,055	\$ 90,595
Accounts Receivable (Net)	36,531	27,336
Inventory	31,289	1,655
<b>Total Current Assets</b>	<u>136,875</u>	<u>119,586</u>
<b>Noncurrent Assets:</b>		
Water Shares	90,114	-
<b>Capital Assets:</b>		
Land	6,318	19,831
Buildings	7,125	7,125
Utility Systems	3,152,365	1,240,495
Machinery and Equipment	119,992	109,807
Less Accumulated Depreciation	(928,885)	(799,639)
<b>Total Capital Assets, Net</b>	<u>2,447,029</u>	<u>577,619</u>
<b>Other Assets:</b>		
Unamortized Bond Issue Costs	22,200	-
<b>Total Assets</b>	<u><u>\$ 2,606,104</u></u>	<u><u>\$ 697,205</u></u>
<b>LIABILITIES</b>		
<b>Current Liabilities:</b>		
Accounts Payable	\$ 13,440	\$ 1,781
Customer Deposits	-	-
Current Portion of Long-Term Obligations	30,328	15,000
<b>Total Current Liabilities</b>	<u>43,768</u>	<u>16,781</u>
<b>Noncurrent Liabilities:</b>		
Long-Term Obligations, Net of Current Portion	1,186,106	17,000
<b>Total Liabilities</b>	<u>1,229,874</u>	<u>33,781</u>
<b>NET ASSETS</b>		
Invested in Capital Assets, Net of Related Debt	1,230,595	545,619
Restricted for Impact Fees	315,804	137,609
Unrestricted	(170,169)	(19,804)
<b>Total Net Assets</b>	<u>1,376,230</u>	<u>663,424</u>
<b>Total Liabilities and Net Assets</b>	<u><u>\$ 2,606,104</u></u>	<u><u>\$ 697,205</u></u>

The accompanying notes are an integral part of these financial statements.

<u>Electric</u>	<u>Sanitation</u>	<u>Total</u>
\$ 439,592	\$ 36,125	\$ 635,367
130,216	22,086	216,169
111,413	-	144,357
<u>681,221</u>	<u>58,211</u>	<u>995,893</u>
-	-	90,114
17,520	-	43,669
31,812	7,125	53,187
1,074,674	-	5,467,534
318,804	7,035	555,638
(522,333)	(8,579)	(2,259,436)
<u>920,477</u>	<u>5,581</u>	<u>3,950,706</u>
-	-	22,200
<u>\$ 1,601,698</u>	<u>\$ 63,792</u>	<u>\$ 4,968,799</u>
\$ 88,378	\$ 15,355	\$ 118,954
13,415	-	13,415
-	-	45,328
<u>101,793</u>	<u>15,355</u>	<u>177,697</u>
-	-	1,203,106
<u>101,793</u>	<u>15,355</u>	<u>1,380,803</u>
920,477	5,581	2,702,272
94,165	-	547,578
485,263	42,856	338,146
<u>1,499,905</u>	<u>48,437</u>	<u>3,587,996</u>
<u>\$ 1,601,698</u>	<u>\$ 63,792</u>	<u>\$ 4,968,799</u>

**MORGAN CITY**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS**  
**PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2006**

	<u>Water</u>	<u>Sewer</u>
<b>Operating Revenues:</b>		
Charges for Services	\$ 322,903	\$ 283,040
Other Operating Revenues	<u>20,866</u>	<u>21,447</u>
Total Operating Revenues	343,769	304,487
<b>Operating Expenses:</b>		
Personnel Services	146,223	128,790
Contractual Services	-	-
Purchases water/treatment/power/refuse	-	-
Supplies	95,780	61,927
Professional Services	47,161	52,757
Miscellaneous	19,558	10,283
Equipment and Maintenance	53,742	22,947
Depreciation	80,925	38,432
Amortization - Deferred Charge	<u>600</u>	<u>-</u>
Total Operating Expenses	<u>443,989</u>	<u>315,136</u>
Operating Income (Loss)	(100,220)	(10,649)
<b>Nonoperating Revenues (Expenses)</b>		
Impact Fees	97,051	58,882
Connection Fees	33,676	26,865
Interest Revenue	8,488	5,371
Interest Expense	<u>(55,260)</u>	<u>(3,463)</u>
Total Nonoperating Revenues (Expenses)	<u>83,955</u>	<u>87,655</u>
Net Income (Loss) Before Contributions	(16,265)	77,006
Capital Contributions	-	-
Change in Net Assets	(16,265)	77,006
Total Net Assets - Beginning	<u>1,392,495</u>	<u>586,418</u>
Total Net Assets - Ending	<u>\$ 1,376,230</u>	<u>\$ 663,424</u>

The accompanying notes are an integral part of these financial statements.

<u>Electric</u>	<u>Sanitation</u>	<u>Total</u>
\$ 1,457,313	\$ 241,272	\$ 2,304,528
70,585	3,785	116,683
<u>1,527,898</u>	<u>245,057</u>	<u>2,421,211</u>
254,190	-	529,203
-	68,943	68,943
934,595	163,926	1,098,521
118,632	-	276,339
24,299	-	124,217
16,527	334	46,702
28,640	-	105,329
59,759	178	179,294
-	-	600
<u>1,436,642</u>	<u>233,381</u>	<u>2,429,148</u>
91,256	11,676	(7,937)
60,257	-	216,190
43,177	-	103,718
3,116	29	17,004
-	-	(58,723)
<u>106,550</u>	<u>29</u>	<u>278,189</u>
197,806	11,705	270,252
2,076	-	2,076
199,882	11,705	272,328
<u>1,300,023</u>	<u>36,732</u>	<u>3,315,668</u>
<u>\$ 1,499,905</u>	<u>\$ 48,437</u>	<u>\$ 3,587,996</u>

**MORGAN CITY**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2006**

	<u>Water</u>	<u>Sewer</u>
<b>Cash Flows from Operating Activities</b>		
Cash Received From Customers	\$ 334,501	\$ 302,881
Cash Paid to Suppliers	(207,709)	(147,788)
Cash Paid to Employees	(146,223)	(128,790)
Net Cash Provided (Used) by Operating Activities	<u>(19,431)</u>	<u>26,303</u>
<b>Cash Flows from Noncapital Financing Activities</b>		
Transfers In	-	-
Transfers Out	-	-
Net Cash Used in Noncapital Financing Activities	<u>-</u>	<u>-</u>
<b>Cash Flows from Capital and Related Financing Activities</b>		
Acquisition and Construction of Capital Assets	(239,910)	(99,397)
Principal Payments - Bonds	(26,774)	(14,000)
Interest Paid	(55,260)	(3,463)
Impact Fees Collected	97,051	58,882
Connection Fees Collected	33,676	26,865
Contributions From Developers	-	-
Net Cash Provided (Used) in Capital and Related Financing Activities	<u>(191,217)</u>	<u>(31,113)</u>
<b>Cash Flows from Investing Activities</b>		
Interest on Investments	8,488	5,371
Net Cash Provided by Investing Activities	<u>8,488</u>	<u>5,371</u>
<b>Net Increase (Decrease) in Cash</b>	(202,160)	561
<b>Cash - July 1</b>	<u>271,215</u>	<u>90,034</u>
<b>Cash - June 30</b>	<u>\$ 69,055</u>	<u>\$ 90,595</u>
 <b>Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities</b>		
Operating Income (Loss)	\$ (100,220)	\$ (10,649)
<b>Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities</b>		
Depreciation	80,925	38,432
Amortization	600	-
<b>Changes in Assets and Liabilities:</b>		
Accounts Receivable	(9,268)	(1,606)
Inventory	5,626	(1,655)
Accounts Payable	2,906	1,781
Customer Deposits	-	-
<b>Net Cash Provided by Operating Activities</b>	<u>\$ (19,431)</u>	<u>\$ 26,303</u>

The accompanying notes are an integral part of these financial statements.

<u>Electric</u>	<u>Sanitation</u>	<u>Total</u>
\$ 1,509,399	\$ 244,556	\$ 2,391,337
(1,106,668)	(233,034)	(1,695,199)
(254,190)	-	(529,203)
<u>148,541</u>	<u>11,522</u>	<u>166,935</u>

-	-	-
-	-	-
-	-	-

(115,517)	-	(454,824)
-	-	(40,774)
-	-	(58,723)
60,257	-	216,190
43,177	-	103,718
2,076	-	2,076
<u>(10,007)</u>	<u>-</u>	<u>(232,337)</u>

<u>3,116</u>	<u>29</u>	<u>17,004</u>
<u>3,116</u>	<u>29</u>	<u>17,004</u>
141,650	11,551	(48,398)
<u>297,942</u>	<u>24,574</u>	<u>683,765</u>
<u>\$ 439,592</u>	<u>\$ 36,125</u>	<u>\$ 635,367</u>

\$ 91,256	\$ 11,676	\$ (7,937)
-----------	-----------	------------

59,759	178	179,294
-	-	600
(18,499)	(501)	(29,874)
14,010	-	17,981
1,315	169	6,171
700	-	700
<u>\$ 148,541</u>	<u>\$ 11,522</u>	<u>\$ 166,935</u>



## **MORGAN CITY**

### **NOTES TO FINANCIAL STATEMENTS JUNE 30, 2006**

#### **I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

##### **A. General Statement**

The City operates under a Council/Mayor form of government and provides the following services as authorized by its charter: public safety (police and fire), public utilities (water, sewer, electric, sanitation), highways and streets, social services, culture-recreation, public improvements, planning and zoning, economic redevelopment, and general administrative services.

The City's financial statements are prepared in accordance with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989 (when applicable that do not conflict with or contradict GASB pronouncements). Although the City has the option to apply FASB pronouncements issued after that date to its business-type activities and enterprise funds, the City has chosen not to do so. The more significant accounting policies established in GAAP and used by the City are discussed below.

In defining the government, for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth by the Governmental Accounting Standards Board (GASB).

##### **B. Basic Financial Statements**

The City's basic financial statements consist of the government-wide statements, including a statement of net assets and a statement of activities, and fund financial statements, which provide a more detailed level of financial information.

##### **Government-Wide Financial Statements**

*Statement of Net Assets* - The statement of net assets and the statement of activities display information about the City as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The statements distinguish between those activities of the City that are governmental and those that are considered business-type activities. The statement of net assets presents the financial condition of the governmental and business-type activities of the City at year end.

*Statement of Activities* - The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the City's governmental activities and for business-type activities of the City. Direct expenses are those that are specifically associated with a service, program, or department and therefore clearly identifiable to a particular function.

**MORGAN CITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2006**

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**B. Basic Financial Statements (continued)**

Program revenues include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program, and interest earned on grants that is required to be used to support a particular program. Revenues which are not classified as program revenues are presented as general revenues of the City, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental program or business activity is self-financing or draws from the general revenues of the City.

**Fund Financial Statements**

During the year, the City segregates transactions related to certain City functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the City at this more detailed level. The focus of governmental and enterprise fund financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column.

**C. Fund Accounting**

The City uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self balancing set of accounts.

There are three categories of funds: governmental, proprietary, and fiduciary. The following fund types are used by the City:

**Governmental Funds:**

The focus of the governmental funds' measurement (in the fund statements) is upon determination of financial position and changes in financial position (sources, uses, and balances of financial resources) rather than upon net income. The following describes the major governmental funds of the City:

**General fund** is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund.

**Special Revenue fund** is used to account for revenue sources that are legally restricted to expenditures for specific purposes (not including expendable trusts or major capital projects).

**MORGAN CITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2006**

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**C. Fund Accounting (continued)**

The following describes the nonmajor governmental funds of the City:

**Capital Projects fund** is used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by business-type/proprietary funds).

**Redevelopment fund** helps eliminate "blighted" areas within the designated project area. The City receives tax increment revenue for the fund. The Redevelopment Fund is a special revenue fund.

**Perpetual Care fund** is an expendable fund for cemetery care.

**Utility Enhancement fund** is an expendable fund for utility enhancement.

**Proprietary Funds:**

The focus of proprietary fund measurement is upon determination of operating income, changes in net assets, financial position, and cash flows. The generally accepted accounting principles applicable are those similar to businesses in the private sector. Proprietary funds are accounted for on the flow of economic resources measurement focus and use the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. The government applies all applicable FASB pronouncements in accounting and reporting for its proprietary operations.

Proprietary Funds are required to account for operations for which a fee is charged to external users for goods or services and the activity (a) is financed with debt that is solely secured by a pledge of the net revenues, (b) has third party requirements that the cost of providing services, including capital costs, be recovered with fees and charges or (c) establishes fees and charges based on a pricing policy designed to recover similar costs.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the government's various departments. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

**MORGAN CITY**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2006**

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**C. Fund Accounting (continued)**

The following is a description of the proprietary funds of the City.

**Enterprise Funds** account for those operations that are financed and operated in a manner similar to private business enterprises or where the governing body had decided that the determination of revenues earned, costs incurred and/or net income is necessary for management accountability. The City's enterprise funds include the water fund, sewer fund, electric fund, and the sanitation fund.

**D. Measurement Focus/Basis of Accounting**

Measurement focus refers to what is being measured; basis of accounting refers to the point at which revenues or expenditures/expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made regardless of the measurement focus applied.

Government-wide financial statements and fund financial statements for proprietary funds are reported using the economic resources measurement focus and the accrual basis of accounting. The economic resources measurement focus means all assets and liabilities (whether current or non-current) are included on the statement of net assets and the operating statements present increases (revenues) and decreases (expenses) in net total assets. Under the accrual basis of accounting, revenues are recognized when earned, including unbilled utility services which are accrued. Expenses are recognized at the time liability is incurred.

Fund financial statements are reported using the current financial resources measurement focus and are accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting revenues are recognized when susceptible to accrual (i.e., when they are "measurable and available").

"Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period. The government considers all revenues available if they are collected within 60 days after year end. Expenditures are recorded when the related fund liability is incurred, except for unmatured interest on long-term debt which is recognized when due, and certain compensated absences and claims and judgments which are recognized when the obligations are expected to be liquidated with expendable available financial resources.

## **MORGAN CITY**

### **NOTES TO FINANCIAL STATEMENTS JUNE 30, 2006**

#### **I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

##### **D. Measurement Focus/Basis of Accounting (continued)**

Property taxes, franchise taxes, licenses, and interest are susceptible to accrual. Sales taxes collected and held by the state at year end on behalf of the government are also recognized as revenue. Other receipts and taxes become measurable and available when cash is received by the government and are recognized as revenue at that time.

Entitlements and shared revenues are recorded at the time of receipt or earlier if the susceptible to accrual criteria are met. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met.

##### **E. Assets, Liabilities and Equity**

###### **1. Deposits and Investments**

The government's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

###### **2. Interfund Receivables and Payables**

During the course of operations, numerous transactions occur between individual funds that may result in amounts owed between funds. Those related to goods and services type transactions are classified as "due to and from other funds." Short-term interfund loans are reported as "interfund receivables and payables." Long-term interfund loans (noncurrent portion) are reported as "advances from and to other funds." Interfund receivables and payables between funds within governmental activities are eliminated in the Statement of Net Assets.

###### **3. Receivables and Payables**

In the government-wide statements, receivables consist of all revenues earned at year end and not yet received. Allowances for uncollectible accounts receivable are based upon historical trends and the periodic aging of accounts receivable.

**MORGAN CITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2006**

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**E. Assets, Liabilities and Equity (continued)**

**4. Inventories and Prepaid Items**

Inventories are valued at cost using the first-in/first-out (FIFO) method. The costs of governmental fund-type inventories are recorded as expenditures when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

**5. Bond Issue Costs**

The City incurred bond issue costs in 2003. Those issuance costs are amortized using the straight-line method in the government-wide financial statements and the statement of net assets in the proprietary fund statements for the term of the bonds from which the costs were incurred.

**6. Capital Assets**

Capital assets which include property, plant, equipment, and infrastructure assets are reported in the applicable governmental or business-type activities columns in the government-wide financial statements and in the fund financial statements for proprietary funds. All capital assets are valued at historical cost or estimated historical cost if actual historical is not available. Donated assets are valued at their fair market value on the date donated. Repairs and maintenance are recorded as expenses. Renewals and betterments are capitalized. Interest has not been capitalized during the construction period on property, plant and equipment.

Assets capitalized, not including infrastructure assets, have an original cost of \$5,000 or more and over three years of useful life. Infrastructure assets capitalized have an original cost of \$100,000 or more. Depreciation has been calculated on each class of depreciable property using the straight-line method. Estimated useful lives are as follows:

<u>Assets</u>	<u>Years</u>
Buildings	50
Utility Systems	40
Land Improvements	30
Infrastructure	20
Machinery & Equipment	7

**MORGAN CITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2006**

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**E. Assets, Liabilities and Equity (continued)**

**6. Capital Assets (continued)**

*Fund Financial Statements*

In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Capital assets used in proprietary fund operations are accounted for the same as in the government-wide statements.

**7. Compensated Absences**

It is the government's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. No liability is reported for unpaid accumulated sick leave. Vacation pay is accrued when incurred and is reported as a liability. Amounts not expected to be liquidated with expendable available financial resources are reported in the Statement of Net Assets as a noncurrent liability.

**8. Long-term Liabilities**

The accounting treatment of long-term liabilities depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

All long-term liabilities to be repaid from governmental and business-type resources are reported as liabilities in the government-wide statements. The long-term liabilities consist primarily of notes payable and bonds payable.

Long-term liabilities for governmental funds are not reported as liabilities in the fund financial statements. The debt proceeds are reported as other financing sources and payment of principle and interest reported as expenditures. The accounting for proprietary fund is the same in the fund statements as it is in the government-wide statements.

**MORGAN CITY**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2006**

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**E. Assets, Liabilities and Equity (continued)**

**9. Equity Classifications (continued)**

*Government-wide Statements*

Equity is classified as net assets and displayed in three components:

- a. Invested in capital assets, net of related debt – Consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b. Restricted net assets – Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net assets – All other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

It is the City's policy to first apply restricted resources rather than unrestricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

*Fund Statements*

Governmental fund equity is classified as fund balance. Fund balance is further classified as reserved and unreserved, with unreserved further split between designated and undesignated. Proprietary fund equity is classified the same as in the government-wide statements.

**10. Interfund Transactions**

Interfund services provided and used are accounted for as revenues or expenditures. Transactions that constitute reimbursements to a fund for expenditures initially made from it that are properly applicable to another fund, are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed.



## **MORGAN CITY**

### **NOTES TO FINANCIAL STATEMENTS JUNE 30, 2006**

#### **I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

##### **E. Assets, Liabilities and Equity (continued)**

##### **10. Interfund Transactions (continued)**

All other interfund transactions, except quasi-external transactions and reimbursement, are reported as transfers. Nonrecurring or non-routine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as non-operating transfers.

##### **11. Property Tax**

Real property taxes are collected by the County Treasurer and remitted to the City after collection. Taxes are due and payable on November 1st and delinquent after 12 o'clock noon on November 30th of each year. The tax levy is established by June 15th with a lien date of January 1st. Property tax revenue is not recognized when levied, because it is not expected to be collected within 60 days after the end of the fiscal year.

##### **12. Operating Revenues and Expenses**

Operating revenues and expenses in the proprietary funds consist of those revenues that result from the ongoing principal operations of the City. Operating revenues consist of charges for services. Nonoperating revenues and expenses consist of those revenues and expenses that are related to financing and investing type activities and result from nonexchange transactions or ancillary activities.

#### **II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

##### **A. Budget Information**

Annual budgets are prepared and adopted in accordance with the "Uniform Fiscal Procedures Act for Utah cities" by the Morgan City Municipal Council on or before June 15th for the following fiscal year, which begins on July 1. Budgets may be increased by resolution of the Municipal Council at any time during the year, following a public hearing. Budgets are adopted at sub-department levels; however budget amendments by resolution are generally required only if the department desires to exceed its total budget appropriation.

**MORGAN CITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2006**

**II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

**A. Budget Information (continued)**

The City adheres to the following procedures in establishing the budgetary data reflected in the financial statements:

1. On or before May 1, the Mayor submits to the City Council a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them.
2. Prior to the formal adoption of the budget the City Council will hold budget workshop meetings, which are open to the public.
3. Prior to June 15th the City Council sets a date for a public budget hearing at which time taxpayers' comments are heard. Copies of the proposed budget are made available for public inspection 10 days prior to the budget hearing. At the conclusion of the budget hearing the budget, as amended, is legally enacted through passage of a resolution.
4. Formal budgetary integration is employed as a management control device during the year for the General Fund and Enterprise Funds.
5. Budgets for the General Fund are adopted on a basis consistent with Generally Accepted Accounting Principles (GAAP). Budgets for the proprietary fund types are prepared using the accrual basis of accounting except that depreciation for all proprietary fund types is not budgeted. Budgeted amounts are as originally adopted, or as amended by the City Council during the 2005/2006 fiscal year.
6. Unencumbered budget appropriations lapse at the end of the fiscal year.

**B. Fund Equity Restrictions**

Reserve for Perpetual Care - The City Council passed an ordinance providing for perpetual care fees to be set aside for maintenance at the City cemetery.

Reserve for Redevelopment - Amounts generated in the redevelopment fund are reserved to be spent to promote urban renewal and economic development.

Reserve for Impact Fees - The City Council passed an ordinance providing for specific impact fees on all new construction. Impact fees include fees for roads, parks, administration, water, sewer, and electric. These fees are to be reserved for current and future costs to help defray a portion of the costs that naturally result from increased development.

## MORGAN CITY

### NOTES TO FINANCIAL STATEMENTS JUNE 30, 2006

#### II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (continued)

##### B. Fund Equity Restrictions (continued)

Reserve for Class "C" Road - Reserve required to be kept that accounts for the receipt of class "C" road revenues and expenditures.

Reserve for Special Improvement District - Amounts generated in the special improvement district are reserved to be spent on capital outlay and debt service within the district.

#### III. DETAILED NOTES ON TRANSACTION CLASSES/ACCOUNTS

##### A. Deposits and Investments

The City maintains a cash and investment pool that is available for use by all funds. Cash includes amounts in demand deposits as well as time deposits. Investments are stated at cost or amortized cost, which approximates fair value. Each fund's portion of this pool is displayed as "Cash and Cash Equivalents" which also includes cash accounts that are separately held by some of the City's funds. Deposits are not collateralized nor are they required to be by State statute.

The City follows the requirements of the Utah Money Management Act (*Utah Code*, Section 51, Chapter 7) in handling its depository and investment transactions. This Act requires the depositing of city funds in a "qualified depository".

The Act defines a "qualified depository" as any financial institution whose deposits are insured by an agency of the Federal government and which has been certified by the State Commissioner of Financial Institutions as meeting the requirements of the Act and adhering to the rules of the Utah Money Management Council.

##### Deposits

*Custodial credit risk* – Custodial credit risk is the risk that, in the event of a bank failure, the City's deposits may not be returned to it. The City does not have a formal deposit policy for custodial credit risk. As of June 30, 2006, \$365,897 of the City's bank balances of \$465,897 was uninsured and uncollateralized.

# MORGAN CITY

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2006

### III. DETAILED NOTES ON TRANSACTION CLASSES/ACCOUNTS (continued)

#### A. Deposits and Investments (continued)

##### Investments

The Money Management Act defines the types of securities authorized as appropriate investments for the City and the conditions for making investment transactions. Investment transactions may be conducted only through qualified depositories, certified dealers, or directly with issuers of the investment securities.

Statutes authorize the City to invest in negotiable or nonnegotiable deposits of qualified depositories and permitted negotiable depositories; repurchase and reverse repurchase agreements; commercial paper that is classified as "first tier" by two nationally recognized statistical rating organizations, one of which must be Moody's Investors Services or Standard & Poor's; bankers' acceptances; obligations of the United States Treasury including bills, notes, and bonds; bonds, notes and other evidence of indebtedness of political subdivision of the State; fixed rate corporate obligations and variable rate securities rated "A" or higher, or the equivalent of "A" or higher, by two nationally recognized statistical rating organizations; shares or certificates in a money market mutual fund as defined in the Act; and the Utah State Public Treasurer's Investment Fund (PTIF).

The PTIF is not registered with the SEC as an investment company. The PTIF is authorized and regulated by the Money Management Act, Section 51-7, *Utah Code Annotated, 1953*, as amended. The Act established the Money Management Council which oversees the activities of the State Treasurer and the PTIF and details the types of authorized investments. Deposits in the PTIF are not insured or otherwise guaranteed by the State of Utah, and participants share proportionally in any realized gains or losses on investments.

The PTIF operates and reports to participants on an amortized cost basis. The income, gains and losses – net of administration fees, of the PTIF are allocated based upon the participant's average daily balance. The fair value of the PTIF Investment pool is approximately equal to the value of the pool shares.

As of June 30, 2006, the City had the following investments and maturities:

Investment Type	Fair Value	Investment Maturities (in Years)				Quality Ratings
		Less than 1	1-5	6-10	More than 10	
PTIF Investments	1,605,636	1,605,636	-	-	-	not rated
	1,605,636	1,605,636	-	-	-	

## MORGAN CITY

### NOTES TO FINANCIAL STATEMENTS JUNE 30, 2006

#### III. DETAILED NOTES ON TRANSACTION CLASSES/ACCOUNTS (continued)

##### A. Deposits and Investments (continued)

*Interest rate risk* – Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The City manages its exposure to declines in fair value by investing mainly in the Utah Public Treasurers Investment Fund and by adhering to the Money Management Act. The Act requires that the remaining term to maturity of investments may not exceed the period of availability of the funds to be invested. The Act further limits the remaining term to maturity of commercial paper to 270 days or less and fixed rate negotiable deposits and corporate obligations to 365 days or less. Maturities of the City's investments are noted in the previous table.

*Credit risk* – Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The City's policy for reducing its exposure to credit risk is to comply with the State's Money Management Act as previously discussed.

*Concentration of credit risk* – Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The City's policy for reducing this risk of loss is to comply with the Rules of the Money Management Council. Rule 17 of the Money Management Council limits investments in a single issuer of commercial paper and corporate obligations to 5-10% depending upon the total dollar held in the portfolio. The City's investment in the Utah Public Treasurer's Investment Fund has no concentration of credit risk.

*Custodial credit risk (investments)* – For an investment, this is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City does not have a formal policy for custodial credit risk.

The City's investment in the Utah Public Treasurer's Investment Fund has no custodial credit risk.

**MORGAN CITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2006**

**III. DETAILED NOTES ON TRANSACTION CLASSES/ACCOUNTS (continued)**

**A. Deposits and Investments (continued)**

Components of cash and investments (including interest earning deposits) at June 30, 2006, are as follows:

Cash on hand and on deposit:	
Cash on deposit	353,055
PTIF investment	<u>1,605,636</u>
Total cash and investments	<u>\$ 1,958,691</u>

Cash and investments are included in the accompanying combined statement of net assets as follows:

Cash	<u>\$ 1,958,691</u>
Total cash and investments	<u>\$ 1,958,691</u>

**B. Accounts Receivable**

Accounts receivable for the City, including the applicable allowance for uncollectible accounts at June 30, 2006, are as follows:

<b>Governmental Activities:</b>	<b>General</b>	<b>Special Revenue</b>	<b>Perpetual Care</b>	<b>Total</b>
Receivables:				
Accounts	\$ 17,432	\$ -	\$ 28,687	\$ 46,119
Special Assessment	-	1,431,047	-	1,431,047
Taxes	<u>110,340</u>	-	-	<u>110,340</u>
Gross receivables	127,772	1,431,047	28,687	1,587,506
Less: Allowance for uncollectibles	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net total receivables	<u>\$ 127,772</u>	<u>\$1,431,047</u>	<u>\$ 28,687</u>	<u>\$1,587,506</u>

**MORGAN CITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2006**

**III. DETAILED NOTES ON TRANSACTION CLASSES/ACCOUNTS (continued)**

**B. Accounts Receivable (continued)**

<b>Business-type Activities:</b>	<u><b>Water</b></u>	<u><b>Sewer</b></u>	<u><b>Electric</b></u>	<u><b>Sanitation</b></u>	<u><b>Total</b></u>
Receivables:					
Accounts	\$ 37,502	\$ 28,170	\$ 150,978	\$ 23,105	\$ 239,755
Gross receivables	37,502	28,170	150,978	23,105	239,755
Less: Allowance for uncollectibles	(971)	(834)	(20,762)	(1,019)	(23,586)
Net total receivables	<u>\$ 36,531</u>	<u>\$ 27,336</u>	<u>\$ 130,216</u>	<u>\$ 22,086</u>	<u>\$ 216,169</u>

The City had no interfund receivables as of June 30, 2006.

**C. Capital Assets**

A summary of changes in capital assets follows:

	<u><b>Beginning Balance</b></u>	<u><b>Increases</b></u>	<u><b>Decreases</b></u>	<u><b>Ending Balance</b></u>
<b>Governmental activities</b>				
Capital assets, not being depreciated				
Land	\$ 168,343	\$ -	\$ -	\$ 168,343
Total capital assets, not being depreciated	168,343	-	-	168,343
Capital assets, being depreciated				
Land Improvements	133,796	-	-	133,796
Buildings	500,248	80,000	-	580,248
Machinery & Equipment	365,365	-	-	365,365
Infrastructure	1,804,164	79,852	-	1,884,016
Total capital assets, being depreciated	2,803,573	159,852	-	2,963,425
Accumulated Depreciation for:				
Land Improvements	(40,095)	(2,963)	-	(43,058)
Buildings	(107,307)	(9,388)	-	(116,695)
Machinery & Equipment	(339,818)	(14,077)	-	(353,895)
Infrastructure	(1,048,216)	(89,268)	-	(1,137,484)
Total accumulated depreciation	(1,535,436)	(115,696)	-	(1,651,132)
Total capital assets, being depreciated, net	1,268,137	44,156	-	1,312,293
Governmental activities capital assets, net	<u>\$1,436,480</u>	<u>\$ 44,156</u>	<u>\$ -</u>	<u>\$1,480,636</u>

**MORGAN CITY**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2006**

**III. DETAILED NOTES ON TRANSACTION CLASSES/ACCOUNTS (continued)**

**C. Capital Assets (continued)**

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b>Business-type activities</b>				
Capital assets, not being depreciated				
Water Stock	\$ 79,687	\$ 10,427	-	\$ 90,114
Land	43,669	-	-	43,669
Total capital assets, not being depreciated	123,356	10,427	-	133,783
Capital assets, being depreciated				
Buildings	53,187	-	-	53,187
Machinery & Equipment	434,001	121,637	-	555,638
Systems	5,144,774	322,760	-	5,467,534
Total capital assets, being depreciated	5,631,962	444,397	-	6,076,359
Accumulated Depreciation for:				
Buildings	(30,147)	(712)	-	(30,859)
Machinery & Equipment	(378,087)	(23,157)	-	(401,244)
Systems	(1,671,908)	(155,425)	-	(1,827,333)
Total accumulated depreciation	(2,080,142)	(179,294)	-	(2,259,436)
Total capital assets, being depreciated, net	3,551,820	265,103	-	3,816,923
Business-type activities capital assets, net	<u>\$3,675,176</u>	<u>\$275,530</u>	<u>\$ -</u>	<u>\$3,950,706</u>

Depreciation Expense was charged to functions/departments of the primary government as follows:

**Governmental Activities:**

General Government	9,999
Public Safety	-
Public Works	100,636
Parks and Recreation	4,565
Cemetery	496
Shop	-
Total Depreciation Expense	<u>\$ 115,696</u>



**MORGAN CITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2006**

**III. DETAILED NOTES ON TRANSACTION CLASSES/ACCOUNTS (continued)**

**C. Capital Assets (continued)**

**Business-type Activities:**

Water Fund	80,925
Sewer Fund	38,432
Electric Fund	59,759
Sanitation Fund	<u>178</u>

Total Depreciation Expense	<u>\$ 179,294</u>
----------------------------	-------------------

**D. Interfund Transfers**

There were no interfund transfers made during the fiscal year.

**E. Long-Term Liabilities**

**Lease Revenue Bonds.** The government issued a series 2002 bond to provide funds for the construction of a new municipal building.

Series 2002 bond issued for municipal building construction. Interest is paid on June 1 and December 1, while principal is paid on June 1 of each year. Bond matures June 1, 2011. The interest rate is 4.65%

**\$ 380,000**

The annual requirement to amortize the obligation is as follows:

<b>Year Ended June 30,</b>	<b>Series 2002 Bonds 4.65%</b>		
	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2007	\$ 69,000	\$ 17,670	\$ 86,670
2008	73,000	14,462	87,462
2009	76,000	11,067	87,067
2010	79,000	7,533	86,533
2011	<u>83,000</u>	<u>3,860</u>	<u>86,860</u>
<b>Totals</b>	<u>\$ 380,000</u>	<u>\$ 54,592</u>	<u>\$ 434,592</u>

**MORGAN CITY**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2006**

**III. DETAILED NOTES ON TRANSACTION CLASSES/ACCOUNTS (continued)**

**E. Long-Term Liabilities (continued)**

**Special Assessment Bonds.** Special Assessment bonds are repaid through collection of assessments against property owners who benefited from capital improvements made as a result of the establishment of the Special Improvement District. The City is obligated to pay Special Assessment bonds and interest to the following extent:

<u>Year Ended June 30,</u>	<b>Special Assessment Bonds</b>		
	<b>6.05%</b>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2007	\$ 93,000	\$ 84,216	\$ 177,216
2008	98,000	78,590	176,590
2009	104,000	72,661	176,661
2010	111,000	66,369	177,369
2011	117,000	59,653	176,653
2012-2016	702,000	182,771	884,771
2017	46,000	10,104	56,104
<b>Totals</b>	<u><b>\$ 1,271,000</b></u>	<u><b>\$ 554,364</b></u>	<u><b>\$1,825,364</b></u>

The interest expense for the Special Assessment bonds of \$88,078 has been charged as a direct expense to the Public Works Department in the Statement of Activities.

**Revenue Bonds.** The government issues bonds where the government pledges income derived from the acquired or constructed assets to pay debt service. Both Revenue Bonds are paid on June 1. The interest rates are 10.98%. Revenue bonds outstanding at year end are as follows:

<u>Year Ended June 30,</u>	<b>Water Revenue Bond</b>		
	<b>10.98%</b>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2007	\$ 17,000	\$ 2,559	\$ 19,559
2008	19,000	559	19,559
<b>Totals</b>	<u><b>\$ 36,000</b></u>	<u><b>\$ 3,118</b></u>	<u><b>\$ 39,118</b></u>

**MORGAN CITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2006**

**III. DETAILED NOTES ON TRANSACTION CLASSES/ACCOUNTS (continued)**

**E. Long-Term Liabilities (continued)**

<u>Year Ended June 30,</u>	<b>Sewer Revenue Bond 10.98%</b>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2007	\$ 15,000	\$ 2,994	\$ 17,994
2008	17,000	994	17,994
<b>Totals</b>	<u>\$ 32,000</u>	<u>\$ 3,988</u>	<u>\$ 35,988</u>

**Water Revenue Bond, Series 2003.** The government issued a series 2003 bond to provide funds for improvements and construction of a culinary water project.

Series 2003 bonds were issued for the culinary water project. Both interest and principal are paid on the 11<sup>th</sup> of each month. The bonds mature on August 11, 2043.

The interest rate is 4.25%

**\$ 1,180,434**

The annual requirement to amortize the obligation is as follows:

<u>Year Ended June 30,</u>	<b>Series 2003 Bonds 4.25%</b>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2007	\$ 13,328	\$ 49,924	\$ 63,252
2008	13,905	49,347	63,252
2009	14,508	48,744	63,252
2010	15,137	48,115	63,252
2011	15,793	47,459	63,252
2012-2016	89,843	226,417	316,260
2017-2021	110,073	206,187	316,260
2022-2026	137,320	178,940	316,260
2027-2031	169,769	146,491	316,260
2032-2036	209,886	106,374	316,260
2037-2041	259,482	56,778	316,260
2042-2043	131,390	68,592	199,982
<b>Totals</b>	<u>\$ 1,180,434</u>	<u>\$ 1,233,368</u>	<u>\$ 2,413,802</u>

**MORGAN CITY**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2006**

**III. DETAILED NOTES ON TRANSACTION CLASSES/ACCOUNTS (continued)**

**E. Long-Term Liabilities (continued)**

Changes in Long-Term Liabilities - During the year, the following changes occurred in long-term liabilities for the governmental activities:

<b>Governmental Activities:</b>	<b>Balance July 1, 2005</b>	<b>Additions</b>	<b>Reductions</b>	<b>Balance June 30, 2006</b>	<b>Amounts Due Within One Year</b>
Series 2002 Bonds	\$ 446,000	\$ -	\$ (66,000)	\$ 380,000	\$ 69,000
Special Assessment Bonds	1,480,000	-	(209,000)	1,271,000	93,000
Total Debt	1,926,000	-	(275,000)	1,651,000	162,000
Compensated Absences	30,462	32,010	(23,385)	39,087	25,000
<b>Total Governmental Activities</b>	<b>\$1,956,462</b>	<b>\$ 32,010</b>	<b>\$ (298,385)</b>	<b>\$1,690,087</b>	<b>\$ 187,000</b>

Changes in Long-Term Liabilities - During the year, the following changes occurred in long-term liabilities for the business-type activities:

<b>Business-type Activities:</b>	<b>Balance July 1, 2005</b>	<b>Additions</b>	<b>Reductions</b>	<b>Balance June 30, 2006</b>	<b>Amounts Due Within One Year</b>
Water Revenue Bonds	\$ 50,000	\$ -	\$ (14,000)	\$ 36,000	\$ 17,000
Sewer Revenue Bonds	46,000	-	(14,000)	32,000	15,000
Series 2003 Bonds	1,193,208	-	(12,774)	1,180,434	13,328
Total Debt	1,289,208	-	(40,774)	1,248,434	45,328
<b>Total Business-type Activities</b>	<b>\$1,289,208</b>	<b>\$ -</b>	<b>\$ (40,774)</b>	<b>\$1,248,434</b>	<b>\$ 45,328</b>

**F. Redevelopment Agency**

The Morgan Redevelopment Agency has one project titled the Commercial Street Redevelopment Project. The Commercial Street Redevelopment Project collected \$48,108 in tax increment monies in the fiscal year ended June 30, 2006. This project did not have any outstanding debt at June 30, 2006, nor did it pay any taxes to a taxing agency.

The actual expenditures for the project consisted of the following:

1. \$40,000 for business grants to promote economic development.
2. \$11,643 in road work in the redevelopment area.
3. \$1,905 for administrative costs of the project.

**MORGAN CITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2006**

**IV. OTHER INFORMATION**

**A. Retirement System**

Plan Description - Morgan City Corporation contributes to the Local Government Noncontributing Retirement System, which is for employers with Social Security coverage cost-sharing multiple-employer defined benefit pension plans administered by the Utah Retirement Systems (Systems). Utah Retirement Systems provide refunds, retirement benefits, annual cost of living adjustments and death benefits to plan members and beneficiaries in accordance with retirement statutes.

The Systems are established and governed by the respective sections of Chapter 49 of the Utah Code Annotated 1953 as amended. The Utah Retirement Office Act in Chapter 49 provides for the administration of the Utah Retirement Systems and Plans under the direction of the Utah State Retirement Board (Board) whose members are appointed by the Governor. The Systems issue a publicly available financial report that includes financial statements and required supplementary information of the Local Governmental Contributory Retirement System and Local Government Noncontributory Retirement System. The Utah State Retirement Systems is on a calendar year which ends December 31, 2005. A copy of the report may be obtained by writing to the Utah Retirement Systems, 540 East 200 South, Salt Lake City, UT 84102 or by calling 1-800-365-8772.

Funding Policy - Plan members in Local Government Noncontributory Retirement System members are required to contribute 0.0% of their annual covered salary (all or part may be paid by the employer for the employee) and Morgan City Corporation is required to contribute 11.09% of their annual covered salary from July 2005 through June 2006. The contribution rates are the actuarially determined rates. The contribution requirements of the Systems are authorized by statute and specified by the Board.

The contributions by Morgan City Corporation to the Local Government Noncontributory Retirement System for June 30, 2006, 2005 and 2004 were \$63,474, \$56,878, and \$44,784 respectively. The contributions were equal to the required contributions for each year and were paid by the due dates or within 30 days thereafter.

The Utah State Retirement Board does not segregate the assets and vested benefits of the individual plans by unit within the system. Therefore, it is not possible to determine the portion of the assets and vested benefits or unfunded liabilities of the plans that are applicable to Morgan City Corporation.

## **MORGAN CITY**

### **NOTES TO FINANCIAL STATEMENTS JUNE 30, 2006**

#### **IV. OTHER INFORMATION (continued)**

##### **A. Retirement System (continued)**

The City also sponsors a defined contribution retirement plan under Internal Revenue Code 401(K) which is administered by the Utah Retirement Systems. The Plan covers all city employees. Participants are fully vested. The 401(K) plan is an elective deferral plan. The City does not make contributions on behalf of the employees. All city employees may contribute a minimum of ½ of 1% up to a maximum of 25% of gross income. The participants' contributions for the years ended June 30, 2006, 2005, and 2004 were as follows: \$14,827, \$13,128, and \$8,825 respectively.

The City does not participate in a 457 Deferred Compensation Plan.

##### **B. Deferred Revenue**

Deferred revenue are those revenues where asset recognition criteria have been met, but for which revenue recognition criteria have not been met. Morgan City has deferred revenue as of June 30, 2006 as follows:

Special Revenue - Special Assessments	\$1,431,047
---------------------------------------	-------------

##### **C. Commitments**

Business Revenue Sharing Agreement. The City entered into a business revenue sharing agreement where the agreement calls for the share of increased sales tax payments over base year amounts until the amount of \$185,781 is paid, with interest of 7.75%. In the event the reimbursement outlined is not made within fifteen (15) years the obligation shall be deemed paid, and no other recourse for payment shall be pursued by Owner/Developer against the City.

##### **D. Risk Management – Claims and Judgments**

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters.

The City maintains commercial insurance for all major programs. There have been no significant reductions in insurance coverage. Settlement amounts have not exceeded insurance coverage for the current year or the prior year.

**MORGAN CITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2006**

**IV. OTHER INFORMATION (continued)**

**E. Stewardship, Compliance, and Accountability**

Expenditures over budget:

The following departments in the General Fund incurred expenditures in excess of budget:

	<u>Budget</u>	<u>Actual</u>	<u>Actual Over Budget</u>
Ambulance	46,000	47,215	1,215

**REQUIRED  
SUPPLEMENTARY INFORMATION**



**MORGAN CITY**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**  
**GENERAL FUND**  
**YEAR ENDED JUNE 30, 2006**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues:</b>				
<b>Taxes:</b>				
Current Year Property Taxes	\$ 165,000	\$ 165,000	\$ 175,849	\$ 10,849
Redemptions	4,000	4,000	2,647	(1,353)
Fee in Lieu	40,000	40,000	42,340	2,340
Sales and Use Taxes	370,000	370,000	407,486	37,486
Telecommunications Tax	-	65,000	63,374	(1,626)
	<u>579,000</u>	<u>644,000</u>	<u>691,696</u>	<u>47,696</u>
<b>Licenses and Permits:</b>				
Business Licenses	5,500	5,500	8,559	3,059
Building Permits	95,000	95,000	199,472	104,472
Other Licenses	1,200	1,200	1,745	545
	<u>101,700</u>	<u>101,700</u>	<u>209,776</u>	<u>108,076</u>
<b>Intergovernmental:</b>				
Grants	78,027	114,000	114,000	-
Class "C" Road Fund Allotment	90,000	90,000	124,156	34,156
State Liquor Allotment	2,800	2,800	3,327	527
	<u>170,827</u>	<u>206,800</u>	<u>241,483</u>	<u>34,683</u>
<b>Charges for Services:</b>				
Ambulance	35,000	35,000	26,980	(8,020)
Parks	250	250	489	239
Cemetery	10,500	10,500	13,055	2,555
	<u>45,750</u>	<u>45,750</u>	<u>40,524</u>	<u>(5,226)</u>
<b>Fines and Forfeitures</b>	<u>40,200</u>	<u>40,200</u>	<u>53,492</u>	<u>13,292</u>
<b>Other Revenues:</b>				
Interest Earnings	8,400	8,400	41,037	32,637
Road Impact Fees	60,000	60,000	88,830	28,830
Park Impact Fees	50,000	50,000	86,504	36,504
Miscellaneous Revenue	95,000	30,000	10,797	(19,203)
	<u>213,400</u>	<u>148,400</u>	<u>227,168</u>	<u>78,768</u>
<b>Total Revenues</b>	<u>\$ 1,150,877</u>	<u>\$ 1,186,850</u>	<u>\$ 1,464,139</u>	<u>\$ 277,289</u>

(continued)

**MORGAN CITY**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**  
**GENERAL FUND**  
**YEAR ENDED JUNE 30, 2006**

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
<b>Expenditures:</b>				
<b>General Government:</b>				
Administrative	\$ 198,871	\$ 205,871	\$ 204,182	\$ 1,689
Court	28,942	38,942	32,560	6,382
Economic Development	10,000	300	73	227
Non-Departmental	78,027	114,000	115,794	(1,794)
Elections	3,000	3,050	3,038	12
Buildings	101,089	106,089	102,620	3,469
	<u>419,929</u>	<u>468,252</u>	<u>458,267</u>	<u>9,985</u>
<b>Public Safety:</b>				
Police Department	177,874	177,874	172,745	5,129
Fire Department	32,814	32,814	14,055	18,759
Ambulance	41,000	46,000	47,215	(1,215)
Animal Control	28,052	33,052	27,179	5,873
	<u>279,740</u>	<u>289,740</u>	<u>261,194</u>	<u>28,546</u>
<b>Public Works</b>				
Building Inspection	108,422	113,422	100,578	12,844
Road Department	369,210	318,860	189,775	129,085
	<u>477,632</u>	<u>432,282</u>	<u>290,353</u>	<u>141,929</u>
<b>Parks</b>	63,925	92,993	89,110	3,883
<b>Recreation</b>	4,707	4,707	3,707	1,000
<b>Cemetery</b>	91,349	96,349	82,921	13,428
<b>Shop</b>	7,500	15,500	11,476	4,024
<b>Total Expenditures</b>	<u>1,344,782</u>	<u>1,399,823</u>	<u>1,197,028</u>	<u>202,795</u>
<b>Other financing sources (uses):</b>				
Operating transfers in (out)	20,000	20,000	-	20,000
Surplus Class B & C Funds	137,000	137,000	-	137,000
Park Impact Fee Reserve	-	19,068	-	19,068
Appropriation of General Fund Balance	36,905	36,905	-	36,905
<b>Total other financing sources (uses)</b>	<u>193,905</u>	<u>212,973</u>	<u>-</u>	<u>212,973</u>
<b>Excess (Deficiency) of Revenues over Expenditures</b>	<u>-</u>	<u>-</u>	<u>267,111</u>	<u>267,111</u>
<b>Fund Balance - July 1</b>	<u>713,279</u>	<u>713,279</u>	<u>713,279</u>	<u>-</u>
<b>Fund Balance - June 30</b>	<u>\$ 713,279</u>	<u>\$ 713,279</u>	<u>\$ 980,390</u>	<u>\$ 267,111</u>

**MORGAN CITY**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**  
**SPECIAL REVENUE FUND**  
**YEAR ENDED JUNE 30, 2006**

	<b>Budgeted Amounts</b>			<b>Variance with Final Budget Favorable (Unfavorable)</b>
	<b>Original</b>	<b>Final</b>	<b>Actual</b>	
<b>Revenues:</b>				
Assessment - Principal	\$ 88,000	\$ 88,000	\$ 73,753	\$ (14,247)
Interest on Assessment	86,258	86,258	57,385	(28,873)
Water Improvement Fee	-	-	88,972	88,972
Electric Improvement Fee	-	-	8,265	8,265
Administration Fee	7,400	7,400	7,170	(230)
Interest	3,282	3,282	6,817	3,535
<b>Total Revenues</b>	<b>184,940</b>	<b>184,940</b>	<b>242,362</b>	<b>57,422</b>
<b>Expenditures:</b>				
Contractual Expenses	7,400	7,400	11,119	(3,719)
Debt Service - Bond Principal	88,000	168,000	209,000	(41,000)
Debt Service - Bond Interest	89,540	89,540	87,088	2,452
<b>Total Expenditures</b>	<b>184,940</b>	<b>264,940</b>	<b>307,207</b>	<b>(42,267)</b>
<b>Other financing sources (uses):</b>				
Operating transfers in (out)	-	-	-	-
Reserve fund	-	80,000	-	80,000
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Excess (Deficiency) of Revenues over Expenditures</b>	<b>-</b>	<b>(80,000)</b>	<b>(64,845)</b>	<b>15,155</b>
<b>Fund Balance - July 1</b>	<b>196,686</b>	<b>196,686</b>	<b>196,686</b>	<b>-</b>
<b>Fund Balance - June 30</b>	<b>\$ 196,686</b>	<b>\$ 116,686</b>	<b>\$ 131,841</b>	<b>\$ 15,155</b>

## **SUPPLEMENTARY INFORMATION**

**MORGAN CITY  
COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
AS OF JUNE 30, 2006**

	<u>Capital Projects</u>	<u>RDA</u>	<u>Perpetual Care</u>	<u>Utility Enhancement</u>	<u>Total Nonmajor Governmental Funds</u>
<b>ASSETS</b>					
Cash	\$ 5,891	\$ 38,344	\$ 217,651	\$ 743	\$ 262,629
Accounts Receivable	-	-	28,687	-	28,687
<b>TOTAL ASSETS</b>	<u>\$ 5,891</u>	<u>\$ 38,344</u>	<u>\$ 246,338</u>	<u>\$ 743</u>	<u>\$ 291,316</u>
<b>FUND BALANCES</b>					
Reserved for:					
Redevelopment	\$ -	\$ 38,344	\$ -	\$ -	\$ 38,344
Perpetual Care	-	-	246,338	-	246,338
Unreserved	5,891	-	-	743	6,634
<b>TOTAL FUND BALANCES</b>	<u>\$ 5,891</u>	<u>\$ 38,344</u>	<u>\$ 246,338</u>	<u>\$ 743</u>	<u>\$ 291,316</u>

**MORGAN CITY**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2006**

	<u>Capital Projects</u>	<u>RDA</u>	<u>Perpetual Care</u>	<u>Utility Enhancement</u>	<u>Total Nonmajor Governmental Funds</u>
<b>REVENUES</b>					
Taxes	\$ -	\$ 48,108	\$ -	\$ -	\$ 48,108
Charges for services	-	-	9,100	693	9,793
Interest	-	1	11,420	-	11,421
<b>Total Revenues</b>	<u>-</u>	<u>48,109</u>	<u>20,520</u>	<u>693</u>	<u>69,322</u>
<b>EXPENDITURES</b>					
Current Operating:					
General Government	-	41,905	-	-	41,905
Miscellaneous	-	11,643	-	-	11,643
Debt Service:					
Principal	-	-	-	-	-
Interest	-	-	-	-	-
Capital Outlay	-	-	-	-	-
<b>Total Expenditures</b>	<u>-</u>	<u>53,548</u>	<u>-</u>	<u>-</u>	<u>53,548</u>
<b>Excess of Revenues Over (Under) Expenditures</b>	<u>-</u>	<u>(5,439)</u>	<u>20,520</u>	<u>693</u>	<u>15,774</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers-In	-	-	-	-	-
Transfers-Out	-	-	-	-	-
<b>Net Change in Fund Balances</b>	<u>-</u>	<u>(5,439)</u>	<u>20,520</u>	<u>693</u>	<u>15,774</u>
<b>Fund Balances at Beginning of Year</b>	<u>5,891</u>	<u>43,783</u>	<u>225,818</u>	<u>50</u>	<u>275,542</u>
<b>Fund Balances at End of Year</b>	<u>\$ 5,891</u>	<u>\$ 38,344</u>	<u>\$ 246,338</u>	<u>\$ 743</u>	<u>\$ 291,316</u>

**MORGAN CITY  
IMPACT FEE REPORTING  
JUNE 30, 2006**

Impact fees are a funding tool used by local governments to place the cost of specific entity improvements to those that are creating the need for the improvements. Morgan City has established several impact fees that are charged to either the developer or individual property owner.

The following tables show the funds collected by year, the planned expenditures, and the future capital projects for those expenditures:

**ROAD IMPACT FEES**

	<u>Balance</u>		<u>Planned Expenditures</u>	<u>Capital Projects</u>
2004	34,518	2007	102,000	-Bridge Project
2005	99,880	2008	35,000	-Widen road on Young Street.
2006	97,047	2009	94,445	-200 W. to 300 W.
	<u>\$ 231,445</u>		<u>\$ 231,445</u>	

**PARK IMPACT FEES**

	<u>Balance</u>		<u>Planned Expenditures</u>	<u>Capital Projects</u>
2004	5,586	2007	12,450	-Parking lot/sewer line improvements
2005	75,408	2008	40,000	-New bowery
2006	92,230	2009	120,774	-Land purchase, landscape, playground equipment.
	<u>\$ 173,224</u>		<u>\$ 173,224</u>	

**WATER IMPACT FEES**

	<u>Balance</u>		<u>Planned Expenditures</u>	<u>Capital Projects</u>
2003	42,373	2007	125,000	-100 S. Waterline
2004	60,524	2008	80,000	-400 E. Industrial Park
2005	108,111	2009	110,804	-400 S. Field Street
2006	104,796	2010		
	<u>\$ 315,804</u>		<u>\$ 315,804</u>	

**MORGAN CITY  
IMPACT FEE REPORTING  
JUNE 30, 2006**

**SEWER IMPACT FEES**

**Capital Projects**

	<u>Balance</u>		<u>Planned Expenditures</u>	
2003	5,037	2007	35,000	-New aerators, sewer lagoon upgrade
2004	21,956	2008	35,000	-New aerators, sewer lagoon upgrade
2005	46,533	2009	35,000	-New aerators, sewer lagoon upgrade
2006	64,083	2010	32,609	-New aerators, sewer lagoon upgrade
	<u>\$ 137,609</u>		<u>\$ 137,609</u>	

**ELECTRIC IMPACT FEES**

**Capital Projects**

	<u>Balance</u>		<u>Planned Expenditures</u>	
2005	31,534	2007	94,165	-300 W. to East Canyon Creek Upgrade
2006	62,631	2008		
	<u>\$ 94,165</u>		<u>\$ 94,165</u>	



## **AUDITORS' REPORTS**

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT  
OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE  
WITH GOVERNMENT AUDITING STANDARDS**

Honorable Mayor and City Council  
Morgan City

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Morgan City, as of and for the year ended June 30, 2006, which collectively comprise Morgan City's basic financial statements and have issued our report thereon dated November 2, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered Morgan City's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Morgan City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Honorable Mayor and City Council  
Morgan City

We noted certain matters that we reported to management of Morgan City in a separate letter dated November 2, 2006.

This report is intended solely for the information and use of the audit committee, management, City Council, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Wood Richards & Associates

Ogden, Utah  
November 2, 2006

**INDEPENDENT AUDITOR'S REPORT**  
**STATE OF UTAH LEGAL COMPLIANCE**

The Honorable Mayor and City Council  
Morgan City, Utah

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund and the aggregate remaining fund information of Morgan City, Utah, for the year ended June 30, 2006 and have issued our report thereon dated November 2, 2006. As part of our audit, we have audited Morgan City's compliance with the requirements governing types of services allowed or unallowed; eligibility; matching, level of effort, or earmarking; reporting; special tests and provisions applicable to each of its major State assistance programs as required by the State of Utah Legal Compliance Audit Guide for the year ended June 30, 2006. The City received the following major assistance programs from the State of Utah.

C Road Funds (Department of Transportation)  
Liquor Law Enforcement (State Tax Commission)

The City did not receive any nonmajor State grants during the year ended June 30, 2006.

Our audit also included testwork on the City's compliance with those general compliance requirements identified in the State of Utah Legal Compliance Audit Guide, including:

Public Debt	Liquor Law Enforcement
Cash Management	Justice Court
Purchasing Requirements	B & C Road Funds
Budgetary Compliance	Other General Compliance Issues
Truth in Taxation & Property	Uniform Building Code Standards
Tax Limitations	Impact Fees

The management of Morgan City is responsible for the City's compliance with all compliance requirements identified above. Our responsibility is to express an opinion on compliance with those requirements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether material noncompliance with the requirements referred to above occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements. We believe that our audit provides a reasonable basis for our opinion.

Independent Auditor's Report on State Legal Compliance  
Page 2

The results of our audit procedures disclosed immaterial instances of noncompliance with requirements referred to above, which are described in the accompanying management letter. We considered these instances of noncompliance in forming our opinion on compliance, which is expressed in the following paragraph.

In our opinion, Morgan City, Utah, complied, in all material respects, with the general compliance requirements identified above and the requirements governing types of services allowed or unallowed; eligibility; matching, level of effort, or earmarking; reporting; and special tests and provisions that are applicable to each of its major State assistance programs for the year ended June 30, 2006.

Wood Richards & Associates

November 2, 2006

**MORGAN CITY  
SUMMARY OF FINDINGS**

**FOR THE YEAR ENDED JUNE 30, 2006**

**Finding #1:** State law requires that expenditures not be incurred in excess of the appropriation for any department. We noted the City did not comply with this law.

**Recommendation:** We recommend you limit expenditures or open the budget late in the year to provide for these variances.

**Response:** Morgan City opens their budgets late in the year to make adjustments. We contract with Morgan County for ambulance services and the excess expenditures in this department of \$1,215 were not expected. The City will continue to watch the budgets closely and make adjustments as needed.

**Finding #2:** State law requires that the general fund balance not exceed 18% of the total estimated revenue of the general fund. The current unreserved general fund balance is in excess of this limitation.

**Recommendation:** We recommend you make necessary budget adjustments to comply with this provision.

**Response:** The City Council has an agenda item on their November 14<sup>th</sup> council meeting to consider transferring any amount over the 18% allowed into a capital projects fund for planned capital projects in the future. It is expected this will be approved and the fund will be established.



Royce J. Richards, J. D., CPA  
Lynn J. Wood, CPA

November 2, 2006

Honorable Mayor and City Council  
Morgan City

Gentlemen:

We have recently completed our audit for the year ended June 30, 2006. Our procedures included standards issued by the American Institute of Certified Public Accountants, the Comptroller General of the United States and the Utah State Auditors Office.

Our report on federal compliance, on page 47, indicates there are no material weaknesses in internal control or financial reporting. Our report on state compliance, on page 49, indicates two small (immaterial) findings. One relates to the ambulance department which went \$1,215 over budget. This amount seems small in light of the General fund budget of \$1,399,823. The other finding related to accumulated fund balances with the City actually having a larger fund balance than is suggested.

The majority of Utah cities have minor findings of this nature. The final paragraph on page 50 indicates Morgan City complied in all material respects with state compliance rules and regulations. These state rules include budgeting, purchasing, Class 'C' roads, impact fees, and other areas such as justice courts and redevelopment agencies. We have reviewed the City's compliance in all these areas and have issued an unqualified opinion.

The City utilizes state of the art computer systems and is moving forward with the latest meter reading technology. This system will blend with the fully integrated Caselle general ledger and financial management system. The accounting is fully automated, and posted in double-entry format with key balance sheet accounts being reconciled every month. We commend the City staff for their commitment and hard work.

Sincerely yours,

Wood Richards & Associates

Wood, Richards & Associates

CERTIFIED PUBLIC ACCOUNTANTS

2490 Wall Avenue Ogden, Utah 84401 Phone (801) 621-0440 Fax (801) 399-9264